ADVISORY SERVICES

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Crown Investments Corporation of Saskatchewan

2004 Basic Utility Cost Bundle Survey Validation Review Report

Prepared by:
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Regina, Saskatchewan

March 17, 2005

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Executive Summary

Introduction

Meyers Norris Penny LLP ("MNP") was engaged by Crown Investments Corporation of Saskatchewan ("CIC") to review the methodology, assumptions, calculations and costs of a Basic Utility Cost Bundle (the "Bundle") for 2004 consisting of automobile insurance, basic telephone, natural gas and electricity. The Bundle was designed in 2003 to identify a basic package of utilities that was available in Saskatchewan and all other provinces in Canada, and to survey the cost of a comparable basic package of these utilities in other jurisdictions across Canada. The Bundle was prepared and survey conducted by Saskatchewan Government Insurance ("SGI"), SaskTel, SaskEnergy and SaskPower (the "Utility Crowns") and CIC. For 2004, the Basic Utility Cost Bundle was taken one step further to calculate a Provincial Utility Bundle. The purpose of the Provincial Utility Bundle was to provide a means to compare utility bundle costs across Provinces. The results of the Bundle survey plus the Provincial Utility Bundle, as prepared by the Utility Crowns and CIC, are presented as Appendix 1, and the methodology and assumptions are presented as Appendix 2.

Review Objectives

The objectives of this review were to:

- Assess the reasonableness and reliability of the composition of the Bundle as a representation of the basic package of utility services for a Saskatchewan resident;
- Assess the reasonableness and reliability of the methodology and assumptions used to calculate the annual cost of the Bundle in Saskatchewan and in other Canadian jurisdictions;
- Confirm the relative position of the total 2004 costs of the Bundle for the residential customer in Regina, Humboldt and Meadow Lake, Saskatchewan in comparison to other selected communities in other jurisdictions across Canada;
- Assess the reasonableness and reliability of the methodology and assumptions used to calculate the provincial weighted average cost of the Bundle in Saskatchewan and in other provinces; and
- Confirm the relative position of the total 2004 and 2003 costs of the provincial weighted average bundle for the residential customer in Saskatchewan in comparison to other selected provinces across Canada.

Scope of Review

The scope of this review was restricted to reviewing the Bundle for 2004 as prepared by the Utility Crowns and CIC. We reviewed the methodology, assumptions, costs and other relevant information from the perspectives of accuracy, completeness, consistency, and reasonableness. However, we did not perform an audit of the Bundles and consequently do not express an audit opinion herein.

The scope of the project included evaluation of the following:

- The reasonableness of the service definitions and methodology used to represent the Bundle used by Saskatchewan residents, as set out in Appendix 2;
- The appropriateness of the data sources used by SGI, SaskTel, SaskEnergy and SaskPower and to obtain Bundle cost information for different jurisdictions in Canada as set out in Appendix 3 (appropriateness to be assessed in the context of the data sources being knowledgeable and capable of providing specific utility cost information);
- The reasonableness of the assumptions used by Saskatchewan's Utility Crowns to aid in determining the average costs to residential customers for the Bundle in Saskatchewan and across Canada;
- The completeness of the data included in the overall calculation of the Bundle for the residential customer;
- The accuracy and validity of the annual cost amounts presented in the 2004 Bundle as set out in Appendix 1.
- The reasonableness and reliability of the methodology and assumptions used to determine the provincial weighted averaging more specifically set out in Appendix 2;
- The appropriateness of the data sources used by CIC to obtain the weighting factors as set out in Appendix 3;
- The accuracy and validity of the provincial weighted annual average costs presented in the 2004 and 2003 Provincial Utility Bundle rankings as set out in Appendix 1 and 7 respectively.

Assumptions

MNP accepted as given, per the Terms of Reference, the following:

- The concept of selecting representative community locations for reporting average utility costs in urban, northern and rural communities;

- The suitability of the formulas provided by SaskPower, SGI, SaskEnergy and SaskTel used to calculate average annual utility costs for the Saskatchewan residential customer;
- The fact that SaskPower, SaskEnergy, SGI and SaskTel are not privy to all information that could influence utility cost calculations in other jurisdictions, such as utility price hedging strategies, the value of commodities in storage, and other unknown factors not readily available to the public; and
- The fact that the costs reported were calculated using reported utility and related charges on the dates reported in the methodology. It must be understood that these charges would have been different had alternative data collection dates been selected.
- The data collected in the 2001 Census regarding occupied private dwellings is still representative of the occupied private dwellings in 2004.

Methodology

The Utility Crowns and CIC selected 22 locations across Canada consisting of major centres, rural communities and northern communities, in order to compare the Bundle in each selected location across Canada.

The Bundle, is defined to include the cost of the utility service to the residential customer including commodity, transmission and distribution costs as appropriate, debt repayment, rate recovery, rebates (e.g. – natural gas and electricity rebates), refunds, rate discounts and surcharges (e.g. - good driver discounts), capital costs and other factors. The Bundle refers to utility costs prior to the inclusion of municipal surcharges, provincial or federal taxes. The Bundle excludes municipal charges and other taxes because these additional costs are not applied consistently across all jurisdictions.

Each Utility Crown has a specific definition for their component of the Bundle, as follows:

- SGI defined the Bundle's automobile insurance component to include 34 driver profiles derived from the 2003 Consumer's Association of Canada survey and to include the 34 most popular vehicles registered in Saskatchewan in 2003. These 34 driver profiles use in the 2004 survey were the same 34 driver profiles used in the 2003 survey;
    - The rates used, depending on driver profile, may include driver discounts/surcharges inherent in the rate. These rates were applied universally in each location.

- Based on our 2003 recommendations, SGI evaluated all service providers' costs using insurance deductibles that most closely match their benchmark. As such the deductibles ranged from $200 collision deductible and a $200 comprehensive deductible to $300 collision deductible and a $300 comprehensive deductible with B.C at the high end and Saskatchewan/Manitoba at the lower end of the range. In the prior year, only Saskatchewan and Manitoba costs were based on $200 collision deductible and a $200 comprehensive deductible and all other service providers were costed using a $500 collision and $250 comprehensive deductible, as this coverage approximated SGI's coverage.
- As well, based on our 2003 recommendations, SGI performed the analysis on a monthly basis, beginning May 2004, to provide an accurate insurance cost for coverage in effect throughout the year. As a result, 2004 is an average of February plus eight months beginning May 2004. The 2003 analysis was as at February 2004.

- SaskTel defined the Bundle's component of basic residential telephone services to include those services listed in the methodology and costed this component among the selected locations using tariff rates approved by the CRTC and published on telecommunication provider websites. SaskTel continues to exclude the 9-1-1 costs in the bundle, as per our 2003 recommendations;
- SaskEnergy defined the Bundle's component of natural gas service to include an annual benchmark consumption of 3,550 cubic meters (m^3) of natural gas and costed this component using rates published by service providers on their websites or from direct communication with the service provider and using consumption patterns based on a standard model. The cost component of natural gas service included rebates and discounts/surcharges provided by suppliers and/or imposed in each jurisdiction. The same components were used in both 2003 and 2004; and
- SaskPower defined the Bundle's component of electricity service to include an annual benchmark consumption of 8,100 kilowatt hours of electricity and costed this component using rates published by service providers on their websites or from direct communication with the service provider and using consumption patterns based on a monthly average. The cost component of electricity service included rebates and discounts/surcharges provided by suppliers and/or imposed in each jurisdiction. The same components were used in both 2003 and 2004.

Other than implementing all our recommendations from the 2003 Basic Utility Cost Bundle Survey Validation Review Report and updating the calculations for any changes in rates that occurred during the year, the same methodology was used for determining the cost of these services in each of the 22 cities surveyed for the 2004 Basic Utility Cost Bundle Survey as was used in the 2003 survey.

For the 2004 Survey an additional component was added to the methodology as described above. Upon determining the Basic Utility Cost Bundle for each of the 22 cities surveyed, as illustrated in Appendix 1, a provincial weighted average was calculated, adjusting for the number of private dwellings in each of the comparator regions, as illustrated in Appendix 1. For each province the percentage of occupied private dwellings was calculated for each region using 2001 information obtained from Census data from Statistics Canada. The percentage calculated for each region was multiplied by the Bundle value to obtain a provincial weighted average cost per Bundle.

Review Procedures

Our validation review for all jurisdictions included the following procedures:

- Updating our understanding of the assumptions and methodology used by each Utility Crown for its component of the Bundle;
- Testing the data generated by the Utility Crowns to the extent necessary to obtain comfort in the data's accuracy;
- Reviewing the consistency of the application of the assumptions and methodology within the Bundle;
- Reviewing the completeness of the data within the Bundle;
- Reviewing the reasonableness of the assumptions, methodology and results produced by the Utility Crowns and CIC to represent the Bundle; and
- Reviewing the reasonableness of the assumptions and methodology used to calculate the Bundle results in each jurisdiction to a provincial weighted average and the results of the provincial weighted average as produced by CIC.
- Our detailed review procedures are in Appendix 5.

Findings

As a result of our review, we determined that:

1. All recommendations from the 2003 Basic Utility Bundle Survey Validation Review Report have been implemented;
2. The composition of the Bundle is reasonable and reliable;
3. The methodology and assumptions used to calculate the annual value of the Bundle in Saskatchewan and in other jurisdictions are reasonable and reliable;
4. The relative positions of the 2004 Bundle for the residential customers in Regina, Humboldt and Meadow Lake, Saskatchewan in comparison to other selected communities in other jurisdictions across Canada appear accurate;
5. The methodology and assumptions used to calculate the provincial weighted annual average value of the Bundle in Saskatchewan and other provinces are reasonable and reliable; and
6. The relative positions of the 2004 and 2003 Provincial Utility Bundle for the residential customers in Saskatchewan and other provinces are reasonable and reliable as presented in Appendix 1.1.
7. The relative positions of the provinces changed due to the application of the CIC Utility Bundle Rebate Program as presented in Appendix 1.2.

Recommendations

While conducting our review, we identified the following recommendations that should be adopted in future Bundle surveys – we recommend that:

1. SGI continue to conduct their base rate survey on a monthly basis to provide accurate insurance costs for coverage in effect throughout the year.
2. SGI update the top 34 vehicles registered in Saskatchewan based on current information for the 2005 Survey.
3. SGI obtain the rates for each profile after the applicable discounts have been applied from Manitoba Public Insurance.
4. The Utility Crowns continue to review and update their benchmarks accordingly in order to best represent the trends in utility costs across Canada.

Our report follows and provides a more detailed analysis of the purpose and scope of our validation review process and our findings and conclusions.

Respectfully submitted,

Meyers Norris Penny LLP

Chartered Accountants

March 17, 2005
Regina, Saskatchewan

2004 Basic Utility Cost Bundle Survey Validation Review Report

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Purpose of Report

Crown Investments Corporation of Saskatchewan ("CIC") has conducted a 2004 survey of a Basic Utility Costs Bundle (the "Bundle") for automobile insurance, telephone, natural gas and electricity and prepared schedules and charts (see Appendix 1 and 2). This survey compares the 2004 Bundle in 22 locations across Canada as well as the 2004 Provincial Utility Bundle for the 10 provinces across Canada. Meyers Norris Penny LLP ("MNP") was engaged by CIC to review and assess the survey results for accuracy, completeness, consistency and reasonableness. The purpose of this report is to provide the results of our review of the 2004 Bundle prepared by SGI, SaskTel, SaskEnergy, SaskPower and CIC and the 2004 Provincial Utility Bundle prepared by CIC.

Review Objectives

The objectives of this review were to:

- To review the reasonableness and reliability of the reported cost of the bundle as a representation of the basic package of utility services for a Saskatchewan resident;
- To review the reasonableness and reliability of the calculation of the annual value of the basic package of utility services in other jurisdictions;
- To confirm the relative position of the total 2004 costs of the Bundle for the residential customer in Regina, Humboldt, and Meadow Lake, Saskatchewan in comparison to other selected communities in other jurisdictions across Canada;
- To review the reasonableness and reliability of the methodology and assumptions used to calculate the provincial weighted average cost of the Bundle in Saskatchewan and in other provinces; and
- To confirm the relative position of the total 2004 and 2003 costs of the Provincial Utility Bundle for the residential customer in Saskatchewan in comparison to other provinces across Canada.

Scope of Review

Our scope was restricted to reviewing the composition of the Bundle, the methodology, and the costs incurred during 2004 in selected locations within Canada as calculated by SGI, SaskTel, SaskEnergy, SaskPower and CIC and the Provincial Utility Bundle methodology and costs as set out in Appendix 1 and 2. The Bundle related to electricity, natural gas, telephone and automobile insurance services. The contents of the Bundle and the assumptions and methodologies relating to the Bundle were determined by the Utility Crowns

in consultation with CIC. CIC determined the Provincial Utility Bundle by applying a provincial weighted average based on occupied private dwellings on the results of the 2004 Bundle in the 22 selected locations within Canada. We reviewed the information prepared by CIC (Appendix 1 and 2) from the following four perspectives (as defined in Appendix 8):

1. accuracy;
2. consistency;
3. completeness; and
4. reasonableness.

We did not perform an audit and consequently do not express an audit opinion on the Bundle survey results. An audit is usually based on external criteria such as generally accepted accounting standards and generally accepted auditing standards. However, an audit was not required in this instance as there were no external criteria: the criteria were developed by CIC and are included in the Terms of Reference in Appendix 6. A review was performed in accordance with the criteria included in the Terms of Reference.

The scope of the project included a review of the following:

- The reasonableness and reliability of the service definitions and methodology used to represent the basic package of utilities provided to Saskatchewan residents, more specifically set out in Appendix 2;
- The appropriateness of the data sources used by the Utility Crowns to obtain residential utility cost information for different jurisdictions in Canada (appropriateness assessed in the context of the data sources being knowledgeable and capable of providing specific utility cost information) as set out in Appendix 3;
- The reasonableness and reliability of the assumptions used by Saskatchewan's Utility Crowns to aid in determining the average costs to residential customers for the Bundle in Saskatchewan and across Canada;
- The completeness of the data included in the overall calculation of the Bundle;
- The accuracy and validity of the annual cost amounts presented in the 2004 Bundle rankings set out in Appendix 1;
- The reasonableness and reliability of the methodology and assumptions used to determine the Provincial Utility Bundle more specifically set out in Appendix 2;
- The appropriateness of the data sources used by CIC to obtain the weighting factors as set out in Appendix 3; and

- The accuracy and validity of the provincial weighted annual average costs presented in the 2004 and 2003 Provincial Utility Bundle rankings as set out in Appendix 1 and 7 respectively.

General Assumptions and Methodology

Locations

The 22 locations used in the survey were selected by the Utility Crowns and CIC to represent major centres, rural communities and northern communities in order to obtain a geographic representation within a province.

The major centres selected are those typically used for province to province comparisons. The rural and northern communities selected are generally comparable to the Saskatchewan communities selected in those categories in terms of size and location.

No attempt has been made to normalize data collected from the various geographies, though it is acknowledged that many factors may make direct comparisons of data from one market to the next difficult.

A major criteria placed on the selection of communities were that they should have, if possible, all of the utility services. The exception to this was that not all locations had natural gas service. Where a selected location did not have natural gas service, a determination of the heating equivalent of the alternative fuels or services was used. Communities without natural gas service throughout 2004 and listed in the analysis for comparability include The Pas, Saint John, Halifax, Charlottetown and St. John's. These communities were accepted as reasonable comparators in the survey because of their similar populations and/or locations within Canada.

MNP noted that the Utility Crowns and CIC expressed that the concepts of rural and northern communities did not have significance in the Atlantic provinces due to the relatively smaller geography and population dispersion. Consequently, the Utility Crowns and CIC believed that additional comparator locations were not required.

The following communities were selected:

Major centres:	Rural communities:	Northern communities:
o Vancouver, BC	o Penticton, BC	o Fort St. John, BC
o Calgary, AB	o Drumheller, AB	o Grand Prairie, AB
o Regina, SK	o Humboldt, SK	o Meadow Lake, SK
o Winnipeg, MB	o Portage la Prairie, MB	o The Pas, MB
o Toronto, ON	o Parry Sound, ON	o Kapuskasing, ON
o Montreal, PQ	o Aylmer, PQ	o Chicoutimi, PQ
o Saint John, NB		
o Halifax, NS		
Charlottetown, PE		
o St. John's, NF		

MNP accepted, as given in the Terms of Reference, certain matters with regard to:

- The concept of selecting representative community locations for reporting average utility costs in urban, northern and rural communities;
- The suitability of the formulas provided by SaskPower, SGI, SaskEnergy and SaskTel used to calculate average annual utility costs for the Saskatchewan residential customer;
- The fact that SaskPower, SaskEnergy, SGI and SaskTel are not privy to all information that could influence utility cost calculations in other jurisdictions, such as utility price hedging strategies, the value of commodities in storage, and other unknown factors not readily available to the public;
- The fact that the costs reported were calculated using reported utility and related charges on the dates reported in the methodology. It must be understood that these charges would have been different had alternative data collection dates been selected.
- The data collected in the 2001 census regarding occupied private dwellings is still representative of the occupied private dwellings in 2004 for the purpose of calculating the weighted average Utility Bundle costs in all provincial jurisdictions.

The Terms of Reference are set out in Appendix 6.

Bundle Costs

The Bundle includes services for automobile insurance, telecommunications, natural gas and electricity.

The Bundle, is defined to include the cost of the utility service to the residential customer including commodity, transmission and distribution costs as appropriate, debt repayment, rate recovery, rebates (e.g. – natural gas and electricity rebates), refunds, rate discounts and surcharges (e.g. - good driver discounts), capital costs and other factors.

Utility Service Providers

The utility providers, both public and private, surveyed by the Utility Crowns are listed in Appendix 4.

Specific Assumptions and Methodology

The assumptions and methodology used by each Crown Corporation in comparing the Bundle across Canada are critical and complex. The following section sets out the 2004 specific assumptions and methodology which differ from 2003. For a complete listing of the specific assumptions and methodology used refer to Appendix 2.

1. SGI

The level of automobile insurance coverage selected and used in the survey as a benchmark for comparison purposes in the Bundle was:

- Basic coverage of $700 deductible for physical damage and $200,000 Third Party Liability ("TPL"); and
- Additional coverage to improve the amounts to a range of $200 collision deductible, $200 comprehensive deductible to $300 collision deductible, $300 comprehensive deductible and $2 million TPL.

In 2003 the above-mentioned benchmarks were only applied to the Saskatchewan and Manitoba locations. In 2003 all other locations were costed using $500 collision deductible, $250 comprehensive deductible and $2 million TPL, resulting in the use of less coverage and lower costs which understated the comparator's costs in relation to Saskatchewan

The rates used in the SGI survey were compiled for February and monthly from May through to December 2004 to obtain more accurate insurance costs for coverage in effect throughout the year. In 2003, the rates used were as at February 2004 because historical 2003 information was not available at the time the survey was performed.

Appendix 1 shows the automobile insurance cost component of the Bundle for Saskatchewan and the other locations in Canada, as prepared by the Utility Crowns and CIC.

2. SaskTel

The specific assumptions and methodology for the 2004 analysis is the same specific assumptions and methodology used in the 2003 analysis.

Appendix 4 lists the service providers in the survey.

Appendix 1 shows the residential telephone cost component of the Bundle for Saskatchewan and the other locations in Canada, as prepared by the Utility Crowns and CIC.

3. SaskEnergy

The specific assumptions and methodology for the 2004 analysis is the same specific assumptions and methodology used in the 2003 analysis. The 3,550 m^3 benchmark used approximated the 2004 residential consumption level of 3,287 m^3 disclosed in the SaskEnergy 2004 Annual Report.

Appendix 4 lists the service providers in the survey.

Appendix 1 shows the residential natural gas cost component of the Bundle for Saskatchewan and the other locations in Canada, as prepared by the Utility Crowns and CIC.

4. SaskPower

The specific assumptions and methodology for the 2004 analysis is the same specific assumptions and methodology used in the 2003 analysis. The 8,100 KWH benchmark approximated the 2004 residential consumption level of 8,064 KWH disclosed in the SaskPower 2004 Annual Report.

Appendix 4 lists the service providers in the survey.

Appendix 1 shows the residential electricity cost component of the Bundle for Saskatchewan and the other locations in Canada, as prepared by the Utility Crowns and CIC.

5. Provincial Utility Bundle

For 2004, the Basic Utility Cost Bundle was taken one step further to calculate a Provincial Utility Bundle. The purpose of the analysis was to provide the Government with a means to compare utility bundle cost across all provinces. Currently, in Saskatchewan, all utility consumers pay the same rates, which is not the case in other provinces. The rates vary depending on where residents live in the other provinces, making it difficult to calculate a straight average of the three centres surveyed in each selected province to determine the Province Utility Bundle cost. A weighted average based on occupied private dwellings was determined as a reasonable means to average the centres surveyed in each of the selected Canadian provinces. Using 2001 Census figures from Statistics Canada a percentage of occupied private dwellings has been allocated to each provincial community as represented by the 22 cities in the Bundle survey. Two assumptions were made to calculate the provincial weighted averages:

1. No adjustments have been made to the data collected in the 2001 Census as it is representative of the 2004 population; and
2. The 22 cities used in the Bundle Survey are representative of the rates in each of their particular communities.

See Appendix 2 for more detailed discussion of the methodology and calculations.

MNP Review of Utility Costs

1. SGI

Review

SGI performed a rate survey, which took place February 1 and monthly from May 1 to December 1, 2004, based on the 34 profiles that the Consumers' Association of Canada used in their review of automobile insurance rates adjusted for the 34 most popular vehicles registered in Saskatchewan in 2003. Both private and public auto insurance companies were surveyed. SGI contacted the public companies in the provinces of British Columbia, Manitoba and Quebec to obtain their rates for each profile for coverage of $2 million TPL, $200 ($300 for B.C.) collision deductible and $200 ($300 for B.C.) comprehensive deductible. The public insurance companies' rates are effective January 1, 2004 except for Manitoba which is March 1, 2004.

Quotes for other jurisdictions were obtained from CompuQuote for coverage at $2 million TPL, $250 collision deductible and $250 comprehensive deductible as these were the most comparable coverages to the Saskatchewan benchmark.

The 34 quotes obtained for each location were then averaged to determine the insurance cost used for each location. A detailed list of the driver profile and vehicle descriptions is included in Appendix 2.

The review procedures we performed are set out in Appendix 5.

Findings

Actual automobile insurance rates for other vehicles or driver profiles or locations will vary from those selected; however, this would be true for any vehicle or driver profile or level of insurance coverage selected.

We determined that the SGI profiles used in their survey were based on, and are consistent with, the profiles used in the Consumers' Association of Canada Auto Insurance Rates Study, with some additional assumptions attached to each profile, and were applied consistently to all quotes obtained across the survey. Any differences noted were discussed with SGI and appropriate adjustments were made to the survey results.

Our procedures determined that:

- The composition of the automobile insurance component of the Bundle is reasonable and reliable;
- The methodology and assumptions used to calculate the annual value of the automobile insurance component of the Bundle in Saskatchewan and in other jurisdictions are reasonable and reliable; and
- The relative positions of the total 2004 costs of automobile insurance services for the residential customers in Regina, Humboldt and Meadow Lake, Saskatchewan in comparison to other selected communities in other jurisdictions across Canada appear accurate.

The results of the 2004 automobile insurance component of the Bundle, as per Appendix 1, are reasonable.

2. SaskTel

Review

SaskTel performed a survey of the major basic telephone service providers in the 22 cities selected. Costs were determined by defining the components of service included in the benchmark, and these are explained in the methodology, which is set out in Appendix 2.

SaskTel and other Incumbent Local Exchange Carriers ("ILEC") operate in a Canadian Radio-television and Telecommunications Commission ("CRTC") regulated environment for the provision of local access service. The major ILECs across Canada are Bell, Telus, MTS and Aliant. To perform the survey, SaskTel used service provider, CRTC and ILEC websites as sources of information. The review procedures we performed are set out in Appendix 5.

Findings

Actual telephone costs in all locations will vary from the selected services due to the cost of services selected, competition, and separate local and long distance providers; however, this would be true for any level of telephone services selected.

Based on our review of SaskTel's assumptions and methodology, analysis of data and from discussions with SaskTel and CIC, the survey was performed accurately and consistently.

Any differences noted were discussed with SaskTel and appropriate adjustments were made to the survey results.

Our procedures determined that:

- The composition of the residential telephone cost component of the Bundle is reasonable and reliable;
- The methodology and assumptions used to calculate the annual cost of the residential telephone component of the Bundle in Saskatchewan and in other jurisdictions are reasonable and reliable; and
- The relative positions of the total 2004 residential costs of telephone services for the residential customers in Regina, Humboldt and Meadow Lake, Saskatchewan in comparison to other selected communities in other jurisdictions across Canada appear accurate.

The results of the 2004 residential telephone service component of the Bundle, as per Appendix 1, appear reasonable.

3. SaskEnergy

Review

Natural gas costs paid by residences typically include the following services:

- Gas Delivery Service
    - Basic Monthly Charge – costs to maintain the service line and the meter, costs to provide meter reading and customer account administration.
    - Delivery Charge – costs for transportation, storage and distribution.
- Gas Consumption Charge
    - Cost of the quantity of natural gas consumed, passed through to the customer at cost, including any recovery or refund from the GCVA.

The review procedures we performed are set out in Appendix 5.

Findings

Actual natural gas consumption in all locations will vary from the number selected due to climate, appliance efficiency, dwelling insulation or age; however, this would be true for any volume of natural gas selected.

Based on our review of SaskEnergy's assumptions and methodology, analysis of data and from discussions with SaskEnergy, the survey was performed accurately and consistently. Any differences noted were discussed with SaskEnergy and appropriate adjustments were made to the survey results.

Our procedures determined that:

- The composition of the natural gas component of the Bundle is reasonable and reliable;
- The methodology and assumptions used to calculate the annual cost of the natural gas component of the Bundle in Saskatchewan and in other jurisdictions are reasonable and reliable; and
- The relative positions of the total 2004 residential costs of natural gas utility services for the residential customers in Regina, Humboldt and Meadow Lake, Saskatchewan in comparison to other selected communities in other jurisdictions across Canada appear accurate.

The results of the 2004 residential natural gas services component of the Bundle, as per Appendix 1, appear reasonable.

4. SaskPower

Review

Electricity costs paid by residences typically include the following services:

- Electricity Delivery Service
  - Basic Monthly Charge – costs for meter reading, line maintenance, emergency services and customer account administration.
  - Delivery Charge – costs for transportation and distribution.
- Electricity Consumption Charge
  - Cost of the amount of electricity consumed during the billing period, measured in kilowatt-hours and multiplied by the residential energy charge.

The review procedures we performed are set out in Appendix 5.

Findings

Actual electrical power consumption in all locations will vary from the number selected due to climate, appliances in use and their efficiency, dwelling insulation or age; however, this would be true for any quantity of kilowatt hours selected.

Based on our review of SaskPower's assumptions and methodology, analysis of data and from discussions with SaskPower, the survey was performed accurately and consistently. Any differences noted were discussed with SaskPower and appropriate adjustments were made to the survey results.

Our procedures determined that:

- The composition of the electricity cost component of the Bundle is reasonable and reliable;
- The methodology and assumptions used to calculate the annual costs of the residential electricity component of the Bundle in Saskatchewan and in other jurisdictions are reasonable and reliable; and
- The relative positions of the total 2004 residential costs of electricity utility services for the residential customers in Regina, Humboldt and Meadow Lake, Saskatchewan in comparison to other selected communities in other jurisdictions across Canada appear accurate.

The results of the 2004 residential electricity service component of the Bundle, as per Appendix 1, appear reasonable.

5. Provincial Utility Bundle

CIC engaged a third party to assist with the determination of the appropriate methodology for the calculation the Provincial Utility Bundle. Based on that analysis, it was determined that the weighting factors used to calculate the Provincial Utility Bundle would be based on the percentage of the occupied private dwellings in each of the three communities (major, rural and northern) used in the survey. For the 10 provinces in the Bundle Survey, the number of occupied private dwellings in 2001 was determined for the three communities (major, rural and northern) using published Census date from Statistics Canada. CIC obtained the results of the Bundle Survey performed by each of the Utility Crowns and applied the weighting factor accordingly. In order to achieve comparability, this methodology was also applied to

the 2003 Bundle Survey results to determine if the original results would have changed from the survey results presented in our 2003 Basic Utility Bundle Survey Validation Review Report presented April 23, 2004.

The review procedures we performed are set out in Appendix 5.

Findings

The weighting factors will vary due to the actual number of occupied private dwellings in 2003 and 2004 versus the published 2001 Census data available from Statistics Canada.

Based on our review of the Provincial Utility Bundle assumptions and methodology, analysis of data and from discussions with the third party and CIC, the survey was performed accurately and consistently. Any differences noted were discussed with CIC and appropriate adjustments were made to the survey results.

Our procedures determined that:

- The composition of the Provincial Utility Bundle is reasonable and reliable;
- The methodology and assumptions used to calculate the weighting factors and application of those weighting factors to the 2004 and 2003 Basic Utility Cost Bundle results are reasonable and reliable; and
- The relative positions of the 2004 and 2003 Provincial Utility Bundle for the residential customers in Saskatchewan in comparison to other selected provinces across Canada appear accurate.

The results of the 2004 Provincial Utility Bundle, as per Appendix 1, and the 2003 Provincial Utility Bundle, as per Appendix 7, appear reasonable.

Summary of Findings

As a result of our review, we determined that:

1. All of the recommendations from our 2003 Basic Utility Cost Bundle Survey Validation Review Report were implemented for the 2004 Basic Utility Cost Bundle Survey. In the prior year, we recommended that:
   - Future surveys should be designed to include the relevant data for the period under survey and specifically, that SGI and comparator insurance provider rates surveyed are for the identical period.
   - Benchmarks, as defined by the Utility Crowns, are kept consistent and realistic in order to ensure comparability and reasonableness. We note that trends do change and certain benchmarks may need to be changed in future periods in order to best represent the trends.
   - SGI conduct its base rate survey monthly, and calculate an average annually from the monthly data, in order to provide an accurate insurance cost for coverage in effect throughout the year.
   - SGI select insurance deductibles that most closely match their benchmark. In this study, SGI selected comparator deductibles that were not as close as possible, resulting in comparator costs being understated in relation to SGI's costs.
   - 9-1-1 costs for the telecommunications component of the Bundle continue to be excluded from the Bundle due to the inconsistent rate allocation of this service among all jurisdictions.
2. The composition of the Bundle is reasonable and reliable;
3. The methodology and assumptions used to calculate the Bundle in Saskatchewan and in other jurisdictions are reasonable and reliable;
4. The relative positions of the 2004 Bundle for the residential customers in Regina, Humboldt and Meadow Lake, Saskatchewan in comparison to other selected communities across Canada appear accurate. These results are prepared by CIC and appear in Appendix 1;
5. The methodology and assumptions used to calculate the Provincial Utility Bundle in Saskatchewan and in other provinces are reasonable and reliable;
6. The relative positions of the 2004 and 2003 Provincial Utility Bundle for the residential customers in Saskatchewan in comparison to other provinces in Canada appear accurate. These results are prepared by CIC and appear in Appendix 1 and 7 respectively; and

7. The relative positions of the provinces for the 2004 Provincial Utility Bundle changed due to the application of the CIC Utility Bundle Rebate Program as seen in Appendix 1.2.

Recommendations

As a result of conducting our review of the 2004 Utility Bundle, we have identified the following recommendations that we believe should be adopted in future Bundle surveys. We recommend that:

1. SGI continue to conduct their base rate survey on a monthly basis to provide accurate insurance costs for coverage in effect throughout the year.
2. SGI update the top 34 vehicles registered in Saskatchewan based on current information for the 2005 Survey.
3. SGI obtain the rates for each profile after the applicable discounts have been applied from Manitoba Public Insurance.
4. Utility Crowns continue to review and update their benchmarks accordingly in order to best represent the trends in utility costs across Canada.

APPENDICES

Appendix 1. CIC 2004 Bundle Rankings

Appendix 1.1 CIC Chart of 2004 Utility Bundle Cost Rankings

Bundle for Residential Service

Location	Telephone	Electricity	Home Heating	Auto Insurance	Total Bundle	Variance to Sask.	Rank
Major Centres							
Vancouver, BC	$ 309	$ 527	$ 1,528	$ 1,409	$ 3,773	$ 477	3
Calgary, AB	286	793	1,067	2,100	4,246	950	4
Regina, SK	264	825	1,295	912	3,296	0	2
Winnipeg, MB	303	514	1,400	957	3,174	-122	1
Toronto, ON	273	848	1,573	3,386	6,080	2,784	10
Montreal, PQ	273	547	2,131	1,572	4,523	1,227	5
Saint John, NB	264	760	1,970	1,803	4,797	1,501	7
Halifax, NS	300	827	2,002	2,194	5,323	2,027	8
Charlottetown, PE	293	1,074	1,827	1,460	4,654	1,358	6
St. John's, NF	263	805	1,848	2,802	5,718	2,422	9
Rural Communities							
Penticton, BC	274	622	1,513	1,082	3,491	195	4
Drumheller, AB	327	1,281	1,057	1,668	4,333	1,037	5
Humboldt, SK	264	825	1,295	912	3,296	0	2
Portage la Prairie, MB	293	514	1,400	905	3,112	-184	1
Parry Sound, ON	263	840	1,698	2,298	5,099	1,803	6
Aylmer, PQ	263	547	1,669	941	3,420	124	3
Northern Communities							
Fort St John, BC	274	527	1,256	1,247	3,304	8	3
Grande Prairie, AB	302	1,281	1,045	1,866	4,494	1,198	5
Meadow Lake, SK	264	825	1,295	912	3,296	0	2
The Pas, MB	293	514	1,374	1,080	3,262	-34	1
Kapuskasing, ON	339	816	1,650	1,887	4,692	1,396	6
Chicoutimi, PQ	263	547	2,114	1,058	3,982	686	4

Telephone, Electricity, Automobile Insurance and Natural Gas Charges – Rates in effect from January 1 to December 31, 2004.

Bundle results as noted above DO NOT include the $137 rebate provided to all applicable Saskatchewan residents in December 2004.

Appendix 1.2 CIC Chart of 2004 Provincial Utility Bundle Cost Rankings

Weighted Average Rates for Major Centres, Rural and Northern Communities

Provinces	Total Bundle	CIC Utility Bundle Rebate	Total Bundle	Variance to Sask	Rank
British Columbia	$3,662		$3,662	$503	3
Alberta	4,291		4,291	1,132	5
Saskatchewan	**3,296**	**($137)**	**3,159**	**0**	**1**
Manitoba	3,160		3,160	1	2
Ontario	5,834		5,834	2,675	10
Quebec	4,127		4,127	968	4
New Brunswick	4,797		4,797	1,638	7
Nova Scotia	5,323		5,323	2,164	8
Prince Edward Island	4,654		4,654	1,495	6
Newfoundland	5,718		5,718	2,559	9

Bundle results as noted above DO include the $137 rebate provided to all applicable Saskatchewan residents in December 2004.

Appendix 2. Methodology and Assumptions used by the Utility Crowns

(Bundle Methodology for Calculating Service Costs)

Appendix 2.1 Auto Insurance Costs Methodology

SGI has conducted a rate survey, which took place on February 1, 2004 and from May 1 to December 1, 2004. The survey was based on 34 driver profiles as used by the Consumers' Association of Canada in a previous survey, and the 34 most popular light vehicles registered in Saskatchewan in 2003, using their most popular model year. The survey determined how much the same driver would pay for auto insurance if they had the same vehicle, same driving record and same claims history in 22 Canadian locations.

In the provinces of British Columbia, Manitoba and Quebec, rates were obtained from their Public Insurance Companies. In Saskatchewan, the rates for compulsory coverage were obtained from the Saskatchewan Auto Fund, while rates for extension coverage were obtained through SGI CANADA. In Quebec, the rates for compulsory injury coverage were obtained directly from *La Société de l'Assurance Automobile du Québec (SAAQ)*, while remaining coverages were obtained by using the CompuQuote Database (CompuQuote is an independent rate quotation service that obtains information directly from private auto insurers across Canada. The median rate provided was used for this study). In the remaining provinces, the rates were obtained using the CompuQuote Database. In these provinces, quotes were obtained from the top six (five in Quebec) companies and the third lowest rate were used to obtain the median rate. In some cases, with the change in deductibles to be more comparable with Saskatchewan, not all of the companies provided the same level of coverage and therefore were eliminated and the median rate provided was taken amongst the remaining companies. SGI used the June 2003 edition of the "Canadian Underwriter" to determine the six largest companies for each province.

Definition of the basic utility including how the "average" benchmark was determined

- SGI considered the basic insurance coverage for drivers in public and private sector jurisdictions. In each jurisdiction, three locations were used to generate an average auto insurance rate for the province: North, Rural, and Urban. In smaller provinces (i.e., NB, NS, PEI, NFLD), only one city was considered to determine the average rate for that province.
- Public Sector Jurisdictions (Coverage)
    - British Columbia - Insurance Corporation of British Columbia → $300 Collision, $300 Comprehensive, $2 million Third Party Liability [TPL], includes insurance-related costs on driver's licence.
    - Saskatchewan - Auto Fund Compulsory → $700 Physical Damage, $2 million TPL, and SGI CANADA $200 Collision/Comprehensive, and $2 million TPL.
    - Manitoba - MPI → $200 All Perils, $2 million TPL, effective March 1, 2004, includes insurance-related costs on driver's licence.
    - Quebec - SAAQ and CompuQuote* SAAQ → Compulsory injury, Private Insurers: TPL topped-up to $2 million, includes insurance-related costs on driver's licence.

Private Sector (Coverage)

- Alberta - CompuQuote* → $250 Collision, $250 Comprehensive, $2 million TPL
- Ontario - CompuQuote* → $250 Collision, $250 Comprehensive, $2 million TPL
- Newfoundland and Labrador - CompuQuote* → $250 Collision, $250 Comprehensive, $2 million TPL
- Nova Scotia - CompuQuote* → $250 Collision, $250 Comprehensive, $2 million TPL
- Prince Edward Island - CompuQuote* → $250 Collision, $250 Comprehensive, $2 million TPL
- New Brunswick - CompuQuote* → $250 Collision, $250 Comprehensive, $2 million TPL

- SGI used the 34 most popular vehicles in Saskatchewan in 2003.

Please see the next page for a chart depicting SGI's proposed 34 driver and vehicle profiles.

Saskatchewan's Most Popular Vehicles
Rating Profile List

Rating Profile	Vehicle Year	VICC Code	Make and Model	Primary Use	Gender	Age	Occupation	Months licensed	Claims and Convictions (w/ number of months ago
1	1997	1164	Chrysler Intrepid	Business	Single Male	58	Financial Broker	480	
2	2000	2660	Dodge Caravan	Pleasure	Married Female	55	Homemaker	420	
3	1992	2650	Dodge Dakota Pickup	Business 10 Miles	Single Male	58	Manager	480	Collision & Liability (12)
4	1998	3277	Ford Windstar	Pleasure	Single Female	55	Homemaker	420	
5	1992	7615	Toyota Camry	Business	Married Male	48	Accountant	384	Comp (24) 2 Minor (17 & 36)
			Occasional Driver of Above Vehicle		Married Female	47	Homemaker	312	Minor Conviction (1)
			Occasional Driver of Above Vehicle		Single Male	27	Student	12 (Dr. Tr.)**	Minor Conviction (11)
6	1996	3427	Ford Taurus	Pleasure 20 Miles	Married Female	42	Veterinarian	312	
			Occasional Driver of Above Vehicle		Married Male	48	Homemaker	384	
			Occasional Driver of Above Vehicle		Single Male	17	Student	12 (Dr. Tr.)**	
7	1989	6527	Pontiac Grand Prix	Business 10 Miles	Single Male	22	Cook	72	
8	2000	5821	Chev Silverado Pickup	Business	Single Female	45	First Aid Instructor	192	Collision & Liability (18)
9	1990	4361	Mercury Topaz	Business 10 Miles	Single Female	22	Student	72	
10	1994	3617	Ford Ranger Pickup	Business 15 Miles	Married Female	22	Furniture Repair	72	Collision & Liability (18)
11	1990	3380	Ford Tempo	Pleasure	Single Female	87	Retired	744	2 Minor Convictions (3 & 8)
12	1997	5589	Chev Lumina	Pleasure	Married Male	72	Retired	384	
			Occasional Driver of Above Vehicle		Married Female	77	Retired	168	
13	1993	5335	Olds Cutlass Ciera	Business 30 Miles	Married Female	38	Retail Sales	264	Collision & Liability (18)
			Occasional Driver of Above Vehicle		Single Male	18	Student	24 (Dr. Tr.)**	
14	2002	210	Honda Civic	Business	Married Male	45	Retail Proprietor	180	3 Comprehensive (6 & 12 & 18)
			Occasional Driver of Above Vehicle		Married Female	40	Retail Proprietor	40	
15	2003	445	Toyota Corolla	Pleasure	Married Male	68	Retired	600	
			Occasional Driver of Above Vehicle		Married Female	66	Retired	540	
16	1997	8830	Pontiac Sunfire	Business 10 Miles	Single Female	51	P/T Student, Retail	252	Collision & Liability (12), Criminal Code (12)
17	1996	2726	Dodge Ram Pickup	Business	Married Male	35	Construction	228	Comprehensive Claim (12)
			Occasional Driver of Above Vehicle		Married Female	32	Retail Sales	120	
18	1991	3658	Ford Explorer	Business	Single Male	40	P/T Student, Pizza Delivery	264	Collision & Liability (12)
19	1997	5570	Chevrolet Cavalier	Business 15 Miles	Single Female	33	Office Manager	96	Major Conviction (18)
20	1986	2629	Dodge Pickup	Business 5 Miles	Single Female	18	Student	1 (Dr. Tr.)**	
21	2000	5557	Chev Malibu	Business 20 Miles	Single Female	17	Student	12 (Dr. Tr.)**	
22	1993	3648	Ford Aerostar	Business 10 Miles	Single Male	19	Labourer	24 (Dr. Tr.)**	2 Minor Convictions (12 & 24)
23	2003	2724	Dodge Grand Caravan	Business 8 Miles	Single Female	57	Bus. Owner	444	2 Minor Convictions (12 & 24)
24	1979	3623	Ford Van	Business	Married Male	31	Sales	144	Collision & Liability (12)
			Occasional Driver of Above Vehicle		Married Female	30	Self-Employed	48	
25	1998	6627	GMC Pickup	Pleasure	Married Female	43	Homemaker	312	
26	1997	5665	Chev Astro Van	Business	Single Male	51	Business Owner	396	
27	1997	6217	Buick Lesabre	Pleasure 15 Miles	Married Male	25	Welder	60	
			Occasional Driver of Above Vehicle		Married Female	27	Child Care Worker	36	
28	2002	6333	Buick Century	Business	Single Male	36	Web Designer	228	Minor Conviction (12)
29	1999	6488	Pontiac Grand Am	Business 5 Miles	Single Female	42	Nurse	288	Comp (36), Collision & Liability (36)
30	1998	5643	Chev Pickup	Business 25 Miles	Married Male	55	Supervisor	408	
			Occasional Driver of Above Vehicle		Married Female	50	Sales Clerk	372	
31	1990	5220	Olds 88	Pleasure	Single Female	70	Retired	612	
32	1997	3629	Ford F-150 ½ Tonne Truck	Business	Single Male	42	Foreman	300	
33	1992	4233	Mercury Grand Marquis	Pleasure	Married Male	75	Retired	660	Collision & Liability (8)
34	2003	272	Honda Accord	Business	Single Male	27	Engineering Technologist	132	

**Driving Training

Appendix 2.2 Basic Telephone Service Costs Methodology

SaskTel's basic residential, "Touchtone", local access service provides to customers:

- Unlimited local calling
- The ability to dial "0" to access SaskTel's 24 hour operator services
- Access to Long Distance services
- Access to Dial-up Internet service
- Access to optional Enhanced Calling Features, pay-per-use, and messaging services
- The ability to dial 411 for Directory Assistance to obtain telephone numbers for persons and businesses. (Directory Assistance charges apply).
- A listing in the white pages of the telephone book
- A free copy of the telephone book for their service district
- Free call blocking and toll restriction
- Free buried cable information
- The ability to dial 611 for telephone line maintenance

The rate for SaskTel's basic residential local access service is $22.00 as stated in SaskTel's tariff. The annual price is derived from multiplying the rate by 12 months.

SaskTel operates in a CRTC regulated environment for the provision of local access service. All proposed rate changes for residential access service must meet the conditions of that service for that Price Cap basket of services as directed by the CRTC. This is true for the other Incumbent Local Exchange Carriers (ILECs) which operate within other provinces. ILECs are considered to be the major providers of basic residential access service within their jurisdiction. The major ILECs across Canada are Bell, Telus, MTS and Aliant.

Appendix 2.3 Natural Gas Costs Methodology

SaskEnergy rates are unbundled, meaning there is a charge just for the commodity gas supply separate from the charges for delivery service. This enables price transparency for customers who consider purchasing their natural gas from another supplier. SaskEnergy uses a Gas Consumption Charge to recover the costs of the commodity for customers it supplies. Currently, that is 25.82 ¢ per m^3 of consumption. The delivery is priced separately from commodity, and consists of a fixed Basic Monthly Charge of $10.50 per month, plus a delivery charge of 7.10 ¢ per m^3 of consumption. Unlike many other utilities, SaskEnergy averages the supply demand or seasonal pricing differences to come up with an overall annual rate. The objective is to provide the stable rates that most customers want to see.

SaskEnergy determines the costs to homeowners across Canada by applying the following five step methodology:

1. Establish an annual volume
2. Establish a weather normalized monthly usage pattern
3. Apply actual rates in effect for each of the 12 preceding months
4. Recognize regulatory board approved adjustments

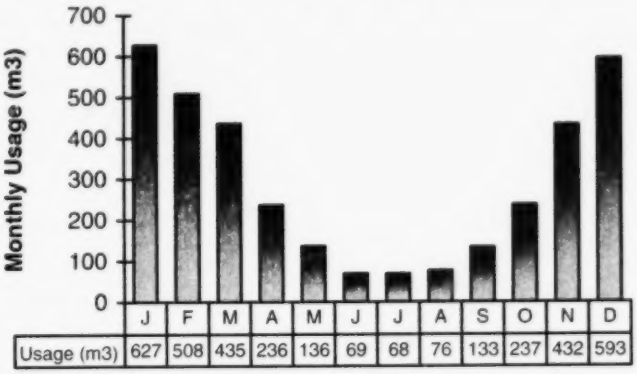
1. Establish Annual Volume

SaskEnergy uses 3,550 m^3 as a benchmark annual volume that represents the weather normalized usage for the typical residential customer. The volume of gas for comparison in other

jurisdictions billing in energy (gigajoules) is adjusted by the relative heating value of their gas. Thus, the comparison is for a constant 3,550 m^3 across all jurisdictions.

2. Establish Weather Normalized Monthly Usage Pattern
The 3,550 m^3 annual volume is spread over a weather normalized monthly usage pattern applicable to Saskatchewan homeowners. That's because January usage is typically eight times higher than the summer usage, reflecting the impact of cold winter weather on usage. It is important to recognize this monthly usage pattern as a number of utilities have rates reflect supply demand or seasonal pricing, especially commodity rates. The highest rates often occur at the times of greatest usage.

The chart below presents the monthly natural gas usage benchmark used in Saskatchewan.



Monthly Natural Gas Usage Chart – Prepared by SaskEnergy

3. Apply Actual Rates
For an annual benchmark volume of natural gas, SaskEnergy uses an actual (historical) rolling 12 month period to measure the total annual cost as driven by its monthly rates and then compares it to those costs derived in a like manner for other jurisdictions. Applying the rate applicable to each month's usage to calculate the bills for the most recent 12 months yields the charges to the customer for commodity and delivery service.

Consequently, for any given community, each month's usage is billed at the approved natural gas rate. This recognizes both the variation in usage from month to month as well as any monthly rate variations, especially for volatile commodity rates.

4. Recognize Regulatory Board Approved Adjustments
Periodic adjustments as determined by the regulatory board need to be included. Items, such as one-time bill credits or charges as well as temporary surcharges or temporary rates that expire within a prescribed time frame, are also added into the utilities charges.

In addition, government rebates, such as natural gas rebates, shall be included in the bundle's calculation, thereby reducing the costs to the consumer in that jurisdiction. In 2004, Alberta was the only province where there were natural gas rebates ($188 per residential customer based on SaskEnergy typical usage) made by a provincial government to assist homeowners with their heating costs.

Other Natural Gas-Related Comments

- Example of home heating AND electrical cost calculation where natural gas is not available as the heating fuel, but electricity is available. For this situation, the natural gas equivalent is determined in kilowatt hours (kWh) of electricity (converts natural gas consumption to equivalent electricity consumption).

- Example of home heating cost calculation where natural gas is not available as the heating source, but fuel oil is available

  Assumptions:
  - Saskatchewan residential customer average annual consumption is 3550 m^3 of natural gas
  - Assume heating equivalent of fuel oil: SaskEnergy advises that 3,550m^3 of natural gas is the BTU heating equivalent of approximately 3,380 litres of fuel oil (for comparison purposes).
  - Assume "all in" costs of fuel oil per litre: Based on MJ Ervin information, the average, tax included, price of fuel oil for 2004 was 54.1 cents per litre in Charlottetown, 54.7 cents per litre in St. John's and about 58.3 cents per litre in Saint John NB and 59.3 cents per litre in Halifax NS.

  Determine the average price for heating with fuel oil (using a quantity of fuel oil equal to the BTU equivalent of 3,550m^3 of natural gas):
  - Charlottetown (3,380 x 54.1÷ / 100 = $1,827
  - St. John's (3,380 x 54.7÷ / 100 = $1,848
  - Halifax (3,380 x 59.3÷ / 100 = $2,001
  - Saint John (3,380 x 58.3÷ / 100 = $1,970

Gas Cost Variance Account

The Gas Cost Variance Account is a standard regulatory accounting mechanism that is widely accepted throughout Canada and the United States. It provides for the accumulation and deferral of the monthly differences between the actual commodity sales revenues and actual gas costs. The use of a Gas Cost Variance Account ensures that SaskEnergy does not earn a profit on the supply of gas nor incurs a loss. The balance is either owing to the company or owing to the customer and may affect future rates. Therefore, over the long run, customers pay exactly the cost of acquiring the natural gas supply.

Appendix 2.4 Electricity Costs Methodology

SaskPower's billing consists of a fixed basic charge in addition to a variable energy charge which relates to the specific amount of electricity of energy consumed. SaskPower's methodology when compiling the comparison information was to obtain the basic charges less any municipal taxes and levies to obtain a comparable amount.

Other electrical service providers use a similar billing process as SaskPower with a fixed basic charge and a variable energy charge. The basic charge and energy charges are often broke down into more detail, including the transmission charges and distribution. In addition to the basic charges Ontario has debt retirement charges and wholesale operation charges that are included as basic charges given that the charge is applied universally.

Calculation of the cost comparisons are based on SaskPower's average annual consumption of 8100 kWh per annum consumed evenly throughout the year at a rate of 675 kWh per month.

Appendix 2.5 Provincial Utility Bundle Methodology

Definitions and Assumptions

The following definitions were used to quantify the concepts of major cities, rural communities, and northern communities.

Major Cities	Statistics Canada's Census Metropolitan Areas (CMA) was used to represent major cities. CMAs are urban areas that exceed 100,000 in population. There are 27 CMAs in Canada including Regina and Saskatoon in Saskatchewan; Winnipeg in Manitoba; and Calgary and Edmonton in Alberta. All provinces except P.E.I. have at least one CMA. CMAs include surrounding "bedroom" communities such as Lumsden in the Regina CMA and Martensville in the Saskatoon CMA.
Rural Communities	All rural areas and communities that are neither northern or part of a CMA were considered as rural
Northern Communities	Sub provincial regions were chosen to represent the areas approximately equivalent to the "Far North" in Saskatchewan, which is, the Northern Administrative District or Census Division #18. An adjustment was made to the Saskatchewan definition so that it includes the area around Meadow Lake although this has no impact on the calculation of the average bundle. Note that there are no northern communities in New Brunswick, Nova Scotia, or P.E.I.

It is also necessary to define what constitutes a "family". The normal definition of a family used in Statistics Canada data is not appropriate because it is based on blood relationships and there are often two or more "families" living in a single dwelling or household. The most appropriate definition for the purpose of calculating a utility bundle would be a private household or occupied private dwelling.

Using private dwellings eliminates collective households such as special care and group homes, military camps, penal institutions, and hotels. This inadvertently eliminates households in Hutterite colonies as well but the error introduced by this omission will be insignificant.
An "occupied private dwelling" is defined as a separate set of living quarters which has a private entrance either directly from outside or from a common hall, lobby, vestibule or stairway leading to the outside, and in which a person or a group of persons live permanently. Besides typical single family houses, duplexes, and mobile homes, apartments and condominiums as well as most basement suites are considered as occupied private dwellings.

Another assumption that is made in the methodology is that the communities chosen in each of the sub provincial regions are representative of rates in their particular region. For example, we are effectively assuming that the rates in Portage La Prairie are representative of rates in rural Manitoba communities and that the rates in The Pas are representative of rates in northern Manitoba communities.

The final assumption that we are implicitly making is that the data collected in the 2001 census is still representative of the situation in 2004.

Methodology

For each province, the number of occupied private dwellings in 2001 was determined for each of the three regions using published Census data from Statistics Canada. The percentage of the occupied private dwellings in each of the three regions is then calculated (see Table 1).

The data show, for example, that 52.5% of occupied private dwellings in Saskatchewan are in rural communities, 3.9% are in northern communities, and the remaining 43.6% are in the Saskatoon and Regina CMAs.

Once these distributions are calculated, it is a relatively simple matter to apply them to the total bundle costs in each of the sub provincial regions for each of the provinces. In effect, we are calculating a provincial weighted average by adjusting for the number of private dwellings in each of the regions.

This weighting procedure has no effect on Saskatchewan, of course, because the same bundle costs apply throughout the province. In other provinces, the provincial average is a blend of the costs in each of the sub provincial regions.

The weighting has less effect than one might have expected because there are relatively similar costs within a province. In the Prairie Provinces, the weighted average is within 1% of the simple arithmetic average of the three cost figures. More dramatic differences are evident in Ontario where there is a large differential between urban and rural bundle costs. This means that the methodology in the prairie provinces is not particularly sensitive to minor differences in the definitions of urban, rural, and north, to small errors in the census figures, or the fact that these data are several years out of date.

Table 1 Occupied Private Dwellings in 2001 by Province

	Major cities		Rural communities		Northern communities		Total	
	Number	Percent of total	Number	Percent of total	Number	Percent of total	Number	Percent of total
Nfld	64,835	34.3%	113,441	60.0%	10,769	5.7%	189,045	100%
PEI	0	0.0%	50,800	100.0%	0	0.0%	50,800	100%
NS	144,435	40.1%	215,585	59.9%	0	0.0%	360,020	100%
NB	48,265	17.0%	235,555	83.0%	0	0.0%	283,820	100%
Que	1,900,530	63.8%	1,065,029	35.8%	12,556	0.4%	2,978,115	100%
Ont	3,173,995	75.2%	1,014,618	24.0%	30,797	0.7%	4,219,410	100%
Man	269,980	62.4%	138,701	32.1%	23,874	5.5%	432,555	100%
Sask	165,600	43.6%	199,246	52.5%	14,834	3.9%	379,680	100%
Alta	712,885	64.6%	298,830	27.1%	92,380	8.4%	1,104,095	100%
BC	945,340	61.6%	563,197	36.7%	25,798	1.7%	1,534,335	100%
Canada total*	7,425,865	64.2%	3,895,000	33.7%	242,110	2.1%	11,562,975	100%

* Includes Northern Territories as well as the provinces

Appendix 3. Industry Sources for Obtaining other Jurisdictions Rates

Industry Sources for Acquiring Other Jurisdictions Natural Gas Rates

SaskEnergy uses the following different company websites and regulatory boards for current rates and news on recent applications.

Communities	Utility	Regulatory Agency
Fort St. John	www.pacificnortherngas.com	British Columbia Utilities Commission
Vancouver, Penticton	www.terasen.com	British Columbia Utilities Commission
Calgary, Grande Prairie	www.atcogas.com	Energy and Utilities Board
Drumheller	www.altagasutilities.com	Energy and Utilities Board
Regina, Humboldt, Meadow Lake	www.saskenergy.com	Saskatchewan Rate Review Panel
Winnipeg, Portage LaPrairie	www.hydro.mb.ca	Manitoba Public Utilities Board
Toronto	www.enbridge.com	Ontario Energy Board
Kapuskasing, Perry Sound	www.uniongas.com	Ontario Energy Board
Montreal, Chicoutimi	www.gazmet.com	Quebec Energy Board (Regie)
Aylmer	www.gazifere.com	Quebec Energy Board (Regie)
St. John, NB	www.amazingenergy.ca	Public Utilities Board (Enbridge Gas New Brunswick)
Halifax	www.heritagegas.com	Nova Scotia Utilities and Review Board

Industry Sources for Acquiring Other Jurisdictions Electricity Rates

SaskPower uses the following company websites and regulatory boards for current rates and news on recent applications.

Communities	Utility	Regulatory Agency
Vancouver, Ft. St. John	www.bchydro.bc.ca	British Columbia Utilities Commission
Penticton	www.aquilanetworks.ca	British Columbia Utilities Commission
Calgary	www.enmax.com	Alberta Energy & Utilities Board
Grande Prairie, Drumheller	www.atco.com	Alberta Energy & Utilities Board
Regina, Humboldt, Meadow Lake	www.saskpower.com	Saskatchewan Rate Review Panel
Winnipeg, Portage La Prairie, The Pas	www.hydro.mb.ca	Manitoba Public Utilities Board
Toronto	www.torontohydro.com	Ontario Energy Board (OEB)
Parry Sound	www.pspower.ca phone contact: 705-746-5866	Ontario Energy Board (OEB)
Kapuskasing	www.puc.net phone contact: 705-272-6669	Ontario Energy Board (OEB)
Montreal, Chicoutimi, Aylmer	www.hydroquebec.com	Quebec Energy Board (Regie)
St. John	www.sjenergy.com	Board of Commissioners of Public Utilities
Halifax	www.nspower.ca	Nova Scotia Utility & Review Board
Charlottetown	www.maritimeelectric.com	Island Regulatory & Appeals Commission
St. John's	www.nfpower.nf.ca	Board of Commissioners of Public Utilities of Newfoundland & Labrador

Telephone Sources

SaskTel uses the following company websites for current rates.

http://www.bell.ca/en/corp/aboutbell/tariffs/	Ontario/Quebec
http://www.aliant.ca/english/about/tariffs_pe.shtml	Prince Edward Island
http://www.mts.ca/tariffs/index.html	Manitoba
http://about.telus.com/cgi-bin/tariffs.cgi	Alberta and British Columbia
http://www.sasktel.com/about_sasktel/public_policy/	Saskatchewan
http://www.aliant.ca/english/about/tariffs_nb.shtml	New Brunswick
http://www.aliant.ca/english/about/tariffs_nf.shtml	Newfoundland
http://www.aliant.ca/english/about/tariffs_ns.shtml	Nova Scotia

Public policy information can be found on the CRTC website (www.crtc.gc.ca), or viewing at any CRTC office. The CRTC maintains a district office in Regina at:

CRTC
2125 11th Avenue
Regina, Saskatchewan

Auto Insurance Sources

For information regarding public insurers, information was gathered directly from the insurer:

BC: Insurance Corporation of British Columbia
MB: Manitoba Public Insurance (data collected from MPI's rate calculator on their website)
SK: Auto Fund (compulsory insurance) and SGI CANADA (extension insurance)
QC: Societe de l'Assurance Automobile du Quebec (compulsory injury coverage)

For private insurers, information was gathered from "CompuQuote", which is an independent rate quotation service that obtains information directly from private auto insurers across Canada.

Appendix 4. Utility Service Providers used in the Survey

	Automobile Insurance	
	Public Service Providers	**Private Service Providers**
British Columbia	Insurance Corporation of British Columbia	N/A
Alberta	N/A	Alianz, Aviva Canada, the Co-operators, ING, Royal & Sun Alliance, Wawanesa
Saskatchewan	Saskatchewan Government Insurance	N/A
Manitoba	Manitoba Public Insurance	N/A
Ontario	N/A	The Co-operators, Economical Mutual, Aviva Canada, ING, Royal & Sun Alliance, Wawanesa
Quebec	Societe de l'Assurance Automobile du Quebec (SAAQ)	Aviva Canada, AXA, ING, Liberty Mutual, JEVCO, Kingsway
Newfoundland	N/A	Aviva, the Co-operators, Dominion of Canada, LOMI, Royal & Sun Alliance
Nova Scotia	N/A	Aviva, the Co-operators, Dominion of Canada, Economical Mutual, Halifax Insurance, Royal & Sun Alliance
Prince Edward Island	N/A	Dominion of Canada, Economical Mutual, ING Insurance, Royal & Sun Alliance, Co-operators, Wawanesa
New Brunswick	N/A	ING Insurance, Royal & Sun Alliance, Aviva, Co-operators, Wawanesa, Dominion

	Telephone	
	Public Service Providers	**Private Service Providers**
British Columbia	N/A	Telus
Alberta	N/A	Telus
Saskatchewan	SaskTel	N/A
Manitoba	N/A	Manitoba Telecomm Services (MTS)
Ontario	N/A	Bell Canada Enterprises
Quebec	N/A	Bell Canada Enterprises
Newfoundland	N/A	Aliant
Nova Scotia	N/A	Aliant
Prince Edward Island	N/A	Aliant
New Brunswick	N/A	Aliant

	Natural Gas	
	Public Service Providers	**Private Service Providers**
British Columbia	N/A	Terasen Gas, Pacific Northern Gas
Alberta	N/A	ATCO Gas, Alta Gas
Saskatchewan	SaskEnergy	N/A
Manitoba	Manitoba Hydro	N/A
Ontario	N/A	Enbridge Gas Distribution, Union Gas
Quebec	Gaz Metro Ltd. Partnership (a Conglomerate)	Gaz Metro Ltd. Partnership (a Conglomerate) Gazifere
Newfoundland	N/A	N/A
Nova Scotia	N/A	Heritage Gas (partially owned by SaskEnergy)
Prince Edward Island	N/A	N/A
New Brunswick	N/A	Enbridge Gas New Brunswick

	Electricity	
	Public Service Providers	**Private Service Providers**
British Columbia	BC Hydro	Fortis BC (formerly Aquila)
Alberta	ENMAX Corporation	ATCO Electric
Saskatchewan	SaskPower	N/A
Manitoba	Manitoba Hydro	N/A
Ontario	Toronto Hydro, Parry Sound Public Utility, Northern Ontario Wires (formerly Cochrane Public Utility)	N/A
Quebec	Hydro Quebec	N/A
Newfoundland	N/A	Newfoundland Power
Nova Scotia	N/A	Nova Scotia Power
Prince Edward Island	N/A	Maritime Electric
New Brunswick	Saint John Energy	N/A

Appendix 5. Detailed Review Procedures

Appendix 5.1 SGI

1. Our review commenced with updating our understanding of the survey performed and the processes undertaken by SGI to perform the survey.
2. We agreed the profiles used in the SGI survey to the profiles used in the Consumers' Association of Canada Auto Insurance Rates Study profiles.
3. We agreed the vehicles used in the profiles to
4. We then chose a random sample of the population of SGI's survey results. Accordingly, our sample was selected at random using 22 profiles from each of 22 cities for each month surveyed for a total of 198 sample items.
5. For the random sample of public insurers, we agreed the information obtained from the public insurers to the survey results to ensure that the survey information captured was accurate.
6. For the random sample of private insurers we entered the profile information into CompuQuote to generate the rate information and then compared that information to the information in SGI's survey results.

Appendix 5.2 SaskTel

To perform our review of the survey, we agreed the rates in SaskTel's survey to the supporting documentation printed from each ILEC's website. Effective dates of the tariffs were examined to ensure they applied to the period in question (2004). For any tariffs that were not readily available on the websites, we contacted the ILEC's directly. We also contacted each ILEC to determine whether the "touchtone" service charged provided the same level of service as described in the Assumptions and Methodologies Specific to Each Utility Crown section.
The following procedures were followed in confirming the information presented on the "Lowest Cost Bundle of Basic Utility Services – Proposed Canadian Communities" spreadsheet.

1. Information prepared in the spreadsheet was compared to the Tariffs located in the binder provided by the client.
2. Effective dates of the Tariffs in the binder were examined to ensure they applied to the period in question (i.e. 2004).
3. If the effective dates did not apply to the period in question, the CRTC's website was reviewed to acquire the information needed for the period in question.

4. Where the information was not readily available at the CRTC's website, the website of the service provider was reviewed. If the information was not yet available, the service provider's customer representatives were contacted via the company's 1-800 number.
5. For information regarding the services provided by the basic telephone service, a customer service representative from each company was contacted and queried.

Appendix 5.3 SaskEnergy

1. Reviewed the "Summary of Results" to "Comparison of Natural Gas Bills in Various Canadian Cities"
2. Reviewed "Comparison of Natural Gas Bills" to detailed calculation worksheets
3. Reviewed accuracy and consistency of formulas on detailed calculation worksheets
4. Reviewed costs for locations that did not have natural gas service throughout all or part of 2004 and compared this information to the summary document.
5. We reviewed 100% of the survey through the procedures described above.

The SaskEnergy bundle spreadsheet contains three sections:

1) Summary of Results

   a. A page listing the total Bill before and after other items. The figures from this page are obtained from the following comparison section.

2) Comparison of Natural Gas Bills in Various Canadian Cities

   a. Four summary sheets listing and comparing total costs before and after rebates for cities in major, rural and northern regions as well as a summary stating the average total bill.

   b. The annual costs, after rebates, and the bill totals link to the summary page

   c. The annual costs before rebate figure is linked in from section three, the individual city bill calculations.

3) Individual City annual cost before rebate calculation sheets

   a. 19 individual sheets calculating the total monthly bill for each city and the total annual cost. The annual cost is then sent to section 2. The monthly bill is calculated based on a set of specific monthly usages multiplied by each month's particular consumption rate and then adding on any fixed costs.

Appendix 5.4 SaskPower

1. Verified summary of net costs (Chart 1) to "annual 2004 comparison of electricity costs"
2. Verified "annual 2004 comparison of electricity costs" to supporting calculation and assumption sheets
3. Verified accuracy of all formulas and calculations
4. Verified daily rates used in Alberta
5. Verified data used in model to data listed in "methodology for cost comparison calculations"
6. Verified data in "methodology for cost comparison calculations" to information contained in source documents such as internet rate information for the relevant period and published rate documents.

Appendix 5.5 Provincial Utility Bundle

1. Reviewed the occupied private dwelling data in the weighting factor calculation to the data contained in the published 2001 Census Data from Statistics Canada
2. Reviewed accuracy of the weighting factor calculation
3. Reviewed accuracy of the application of the weighting factors to the 2004 and 2003 Basic Utility Cost Bundle results after the Saskatchewan rebate.

100% of the survey was reviewed through the procedures described above.

Appendix 6. CIC Terms of Reference

Basic Utility Cost Bundle Validation - Terms of Reference

Section 1.0 Introduction

The Crown Investments Corporation has developed a Basic Utility Cost Bundle (the "bundle") intended to serve as the preferred means to calculate and report to Saskatchewan residential customers the annual average costs of home electricity, home natural gas, basic home telephone service, and charges for the average composite auto insurance (for a mix of driver profiles and the most popular light vehicles registered in Saskatchewan, using their most popular model year). The bundle has been developed in order to be able to effectively communicate to Saskatchewan citizens their government's determination to provide a package of basic utility services at a total annual cost that is as low as or lower than the same package in any other province in Canada. Thus, the bundle may also be considered a type of "report card" providing comparative information on how well government is achieving its goal to provide the lowest cost package of utility services to residential customers.

Section 2.0 Objectives of Engagement

Meyers Norris Penny LLP is requested to conduct an independent review of the Crown Investments Corporation's 2004 Basic Utility Cost Bundle (the "bundle") to achieve the following objectives:

- To assess the reasonableness and reliability of the reported cost of the bundle as a representation of the basic package of utility services for a Saskatchewan resident;
- To assess the reasonableness and reliability of calculation of the annual value of the basic package of utility services in other jurisdictions;
- To assess the reasonableness and reliability of the methodology used to convert the multipoint samples in each jurisdiction to a single comparator; and,
- To confirm the relative position of the total 2004 costs of utility services for the residential customer in Saskatchewan in comparison to other selected communities in other jurisdictions across Canada.

The review will include a final report intended for use of CIC, its Board of Directors and Cabinet of the Government of Saskatchewan. The report will provide an assessment of the bundle, including an opinion on the accuracy of the calculations using the approved methodology, comments on the appropriateness of the assumptions used to calculate the cost of the bundle, and the appropriateness of the methodology used to create a single comparator for each jurisdiction.

Section 3.0 Review Scope

CIC has developed a Basic Utility Cost to report and measure the province's annual cost package of basic services.

In conducting its evaluation, the consultant shall evaluate the following, considering the definitions and:

- The appropriateness of the data sources used by SaskPower, SGI, SaskEnergy and SaskTel ("Saskatchewan's Utility Crowns") to obtain utility cost information for different jurisdictions in Canada. (appropriateness to be assessed in the context of the data sources being knowledgeable and capable of providing specific utility cost information);
- The reasonableness of the assumptions used by Saskatchewan's Utility Crowns to aid in determining the average costs to residential customers for basic utility services in Saskatchewan and across Canada;
- The completeness of the data included in the overall calculation of utility costs for the residential customer; and
- The accuracy and validity of the annual cost figures presented in 2004 average annual residential utility costs compiled by Saskatchewan's Utility Crowns.

In conducting its evaluation, the consultant shall accept as given:

- the concept of selecting representative community locations for reporting average utility costs in urban, northern and rural communities;
- the suitability of the formulas provided by SaskPower, SGI, SaskEnergy and SaskTel used to calculate average annual utility costs for the Saskatchewan residential customer;
- the fact that SaskPower, SaskEnergy, SGI and SaskTel are not privy to all information that could influence utility cost calculations in other jurisdictions, such as utility price hedging strategies, the value of commodities in storage, and other unknown factors not readily available to the public;
- the fact that the costs reported were calculated using reported utility and related charges on the dates reported in the methodology. It must be understood that these charges would have been different had alternative data collection dates been selected.

In conducting its review, the consultant will be provided access to the necessary background data compiled by SaskTel, SaskPower, SaskEnergy and SGI used to develop the information presented in the bundle, including data sources and relevant resources. Appropriate personnel at these agencies will also be made available to the consultant during the course of the review.

CIC will provide access to personnel at various stages of the review to provide direction and guidance during the conduct of the review.

Section 4.0 Review Deliverables and Timeframe

The consultant will begin the review immediately upon signing the engagement agreement. The completion of the review shall be fully completed and submitted to the Minister responsible for CIC well in advance of the Minister's intended release in the spring of 2005 (specific dates will be set in discussions with you and the Minister).

The consultant will prepare and deliver to CIC a confidential report which meets the objectives of the review and is of sufficient completeness and style that could be made available for public consumption.

The report is for the exclusive use of CIC, the CIC board and Cabinet to provide advice and information for the ultimate decision on the use of the bundle as a measurement and reporting tool. The consultant will not publicly release its report, nor publicly comment on its report without the express consent of CIC. However, if consent is given and at the pleasure of CIC and/or government, the consultant will make its report available for public consumption.

Notwithstanding the confidentiality of the report, the consultant is requested to provide a letter summarizing its conclusions which can be made available to the media. As well a spokesperson for the consultant may be required to be available to respond to media questions when the review summary letter is released at a technical briefing session.

Appendix 7: 2003 Provincial Utility Bundle Cost Rankings Provided for Comparison Purposes

Weighted Average Rates for Major Centres, Rural and Northern Communities

Provinces	Total Bundle	CIC Utility Bundle Rebate	Total Bundle	Variance to Sask	Rank
British Columbia	$3,652		$3,652	$484	3
Alberta	4,263		4,263	1,095	5
Saskatchewan	**3,168**	**$0**	**3,168**	**0**	**2**
Manitoba	3,130		3,130	-38	1
Ontario	5,523		5,523	2,355	10
Quebec	3,984		3,984	816	4
New Brunswick	4,618		4,618	1,450	7
Nova Scotia	4,975		4,975	1,807	8
Prince Edward Island	4,340		4,340	1,172	6
Newfoundland	5,154		5,154	1,986	9

Appendix 8. Glossary of Terms

Accuracy – the quality of being precise or exact.

Benchmark – an established level of services or consumption volume that facilitates comparability among locations.

Bundle – Basic Utility Cost Bundle comprising of automobile insurance, telecommunications, natural gas and electricity services for residential locations in Canada.

Bundle costs – costs for providing the service, including commodity, transmission, distribution, marketing, maintenance and other costs, less any rebates directly related to the bundle.

CIC – Crown Investments Corporation of Saskatchewan.

Completeness – the criteria of having nothing missing or lacking.

Consistency – coherence in applying principles or policy.

CRTC – Canadian Radio-television and Telecommunications Commission.

ILEC – Incumbent Local Exchange Carriers in the telecommunications industry.

Reasonableness – the criteria where something is neither more nor less than reasonable or expected.

Reliable – able to be relied upon, having confidence in.

SGI – Saskatchewan Government Insurance.

Utility Crowns – the Saskatchewan crown corporations consisting of SGI, SaskTel, SaskEnergy and SaskPower.